

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other				Local Government Name		County	
Audit Date		Opinion Date		Date Accountant Report Submitted to State:			

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☐ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☐ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ Yes ☐ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☐ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☐ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☐ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☐ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☐ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☐ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.			
Reports on individual federal financial assistance programs (program audits).			
Single Audit Reports (ASLGU).			

Certified Public Accountant (Firm Name)				
Street Address		City	State	ZIP Code
Accountant Signature <i>Siegfried Crandall P.C.</i>			Date	

Township of Byron
Kent County, Michigan
**FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT**
Year ended March 31, 2006

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MANAGEMENT'S DISCUSSION AND ANALYSIS

Township of Byron
MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of the Township of Byron's (the Township) financial performance provides a narrative overview of the Township's financial activities for the fiscal year ended March 31, 2006. Please read it in conjunction with the Township's financial statements.

FINANCIAL HIGHLIGHTS

- The Township's total net assets increased by \$5,223,059 (7 percent) as a result of this year's activities. Net assets of the governmental activities increased by \$850,780, and net assets of the business-type activities increased by \$4,372,279.
- Of the \$82,251,681 total net assets reported, \$12,552,378 (15 percent) is unrestricted, or available to be used at the Board's discretion.
- The General Fund's unreserved, undesignated fund balance at the end of the fiscal year is \$2,672,714, which represents 133 percent of the actual total General Fund expenditures for the current fiscal year.

Overview of the financial statements

The Township's basic financial statements are comprised of three parts: management's discussion and analysis, the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the Township:

- The first two statements are government-wide financial statements that provide both long-term and short-term information about the Township's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the Township, reporting the Township's operations in more detail than the government-wide financial statements.
 - Governmental fund statements tell how general government services, like public safety, were financed in the short-term, as well as what remains for future spending.
 - Proprietary fund statements offer short- and long-term financial information about the activities the government operates like a business, such as the sewer and water systems.
 - Fiduciary fund statements provide information about the financial relationships in which the Township acts solely as a trustee or agent for the benefit of others to whom the resources in question belong.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The financial statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements.

A comparative analysis of the basic financial statements for 2006 and 2005 is also presented.

Township of Byron
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

Government-wide financial statements

The government-wide financial statements report information about the Township as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the Township's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities, regardless of when cash is received or paid.

The two government-wide statements report the Township's net assets and how they have changed. Net assets (the difference between the Township's assets and liabilities) is one way to measure the Township's financial health, or position.

- Over time, increases or decreases in the Township's net assets are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the Township, you need to consider additional nonfinancial factors, such as changes in the Township's property tax base and the condition of the Township's capital assets.

The government-wide financial statements are divided into two categories:

- *Governmental activities* - Most of the Township's basic services are included here, such as fire and police protection and general government. State shared revenue and property taxes finance most of these activities.
- *Business-type activities* - The Township charges fees to customers to help it cover the costs of certain services it provides. The Township's sewer and water systems are reported here as well as its construction code inspection services.

Fund financial statements

The fund financial statements provide more detailed information about the Township's most significant funds - not the Township as a whole. Funds are accounting devices that the Township uses to keep track of specific sources of funding and spending for particular purposes.

- Some funds are required by state law and by bond agreements.
- The Township Board establishes other funds to control and manage money for particular purposes or to show that it is properly using certain taxes and other revenues.

The Township has three kinds of funds:

- *Governmental funds*. Most of the Township's basic services are included in governmental funds, which focus on (1) how cash, and other financial assets that can be readily converted to cash, flows in and out and, (2) the balances left at year end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Township's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information that explains the relationship between them.

Township of Byron
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

- *Proprietary funds.* Services for which the Township charges customers a fee are generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both long- and short-term financial information. In fact, the Township's enterprise funds are the same as its business-type activities but provide more detail and additional information, such as cash flows.
- *Fiduciary funds.* These funds are used to account for the collection and disbursement of resources, primarily taxes, for the benefit of parties outside the government. The Township is responsible for ensuring that the assets reported in these funds are used for their intended purposes. The Township's fiduciary activities are reported in a separate statement of fiduciary net assets. We exclude these activities from the Township's government-wide financial statements because the Township cannot use these assets to finance its operations.

FINANCIAL ANALYSIS OF THE TOWNSHIP AS A WHOLE

Net assets. Total net assets at the end of the fiscal year were \$82,251,681, an increase of 7 percent compared to the prior year. Of this total, \$66,570,623 is invested in capital assets, net of related debt, and \$3,128,680 is restricted for various purposes. Consequently, unrestricted net assets were \$12,552,378, or 15 percent of the total.

Condensed financial information
Net assets

	<i>Governmental activities</i>		<i>Business-type activities</i>		<i>Totals</i>	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
Current and other assets	\$ 7,303,634	\$ 6,568,086	\$ 8,747,755	\$ 7,925,406	\$ 16,051,389	\$14,493,492
Capital assets	<u>8,221,821</u>	<u>8,260,892</u>	<u>59,214,014</u>	<u>55,869,288</u>	<u>67,435,835</u>	<u>64,130,180</u>
Total assets	<u>15,525,455</u>	<u>14,828,978</u>	<u>67,961,769</u>	<u>63,794,694</u>	<u>83,487,224</u>	<u>78,623,672</u>
Long-term debt outstanding	-	-	865,212	1,019,829	865,212	1,019,829
Other liabilities	<u>111,909</u>	<u>266,212</u>	<u>258,422</u>	<u>309,009</u>	<u>370,331</u>	<u>575,221</u>
Total liabilities	<u>111,909</u>	<u>266,212</u>	<u>1,123,634</u>	<u>1,328,838</u>	<u>1,235,543</u>	<u>1,595,050</u>
Net assets:						
Invested in capital assets, net of related debt	8,221,821	8,260,892	58,348,802	54,849,459	66,570,623	63,110,351
Restricted	2,472,278	2,129,161	656,402	619,770	3,128,680	2,748,931
Unrestricted	<u>4,719,447</u>	<u>4,172,713</u>	<u>7,832,931</u>	<u>6,996,627</u>	<u>12,552,378</u>	<u>11,169,340</u>
Total net assets	<u>\$ 15,413,546</u>	<u>\$14,562,766</u>	<u>\$ 66,838,135</u>	<u>\$62,465,856</u>	<u>\$ 82,251,681</u>	<u>\$77,028,622</u>

Changes in net assets. The Township's total revenues were \$11,258,670. During the current year, 49 percent of the revenues were derived from capital contributions, consisting primarily of utility system improvements. Nearly 26 percent come from charges for services, primarily from sewer and water services. Over 11 percent of the total revenues come from property taxes while only 9 percent come from state shared revenue.

Township of Byron
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

The total cost of all the Township's programs, covering a wide range of services, totaled \$8,206,079. Nearly 49 percent of the Township's costs relate to the provision of utility services. General government costs account for 14 percent of the Township's total costs and public safety costs account for 12 percent.

Condensed financial information
Changes in net assets

	<i>Governmental activities</i>		<i>Business-type activities</i>		<i>Totals</i>	
	<i>2006</i>	<i>2005</i>	<i>2006</i>	<i>2005</i>	<i>2006</i>	<i>2005</i>
Program revenues:						
Charges for services	\$ 430,490	\$ 331,463	\$ 3,091,763	\$ 2,941,944	\$ 3,522,253	\$ 3,273,407
Operating grants and contributions	98,772	165,970	-	-	98,772	165,970
Capital grants and contributions	110,185	171,359	6,563,127	4,625,869	6,673,312	4,797,228
General revenues:						
Property taxes	1,572,190	1,436,147	-	-	1,572,190	1,436,147
State shared revenue	1,218,614	1,240,429	-	-	1,218,614	1,240,429
Interest on investments	278,756	110,612	188,226	101,477	466,982	212,089
Franchise fees	125,719	122,638	-	-	125,719	122,638
Other	4,032	10,762	-	-	4,032	10,762
Total revenues	3,838,758	3,589,380	9,843,116	7,669,290	13,681,874	11,258,670
Expenses:						
Legislative	19,377	18,624	-	-	19,377	18,624
General government	1,184,991	1,168,264	-	-	1,184,991	1,168,264
Public safety	1,007,683	985,508	-	-	1,007,683	985,508
Public works	272,092	251,648	-	-	272,092	251,648
Culture and recreation	414,490	409,145	-	-	414,490	409,145
Community and economic development	89,345	66,370	-	-	89,345	66,370
Sewer	-	-	2,092,152	2,113,351	2,092,152	2,113,351
Water	-	-	2,008,316	1,746,250	2,008,316	1,746,250
Building inspections	-	-	252,736	252,958	252,736	252,958
Special item - transfer of assets	-	-	1,117,633	-	1,117,633	-
Total expenses	2,987,978	2,899,559	5,470,837	4,112,559	8,458,815	7,012,118
Increase in net assets	\$ 850,780	\$ 689,821	\$ 4,372,279	\$ 3,556,731	\$ 5,223,059	\$ 4,246,552

Governmental activities

Governmental activities increased the Township's net assets by \$850,780. The key elements of this increase include:

- Property tax revenue increased more than 9% which accounted for \$136,000 of the increase. This revenue increase is due to increased taxable values created by residential growth.
- Interest revenue increased by \$255,000.

Township of Byron
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

Governmental activities (Continued)

The cost of all governmental activities this year was \$2,987,978. After subtracting the direct charges to those who directly benefited from the programs \$(430,490), and operating and capital grants \$(208,957), the "public benefit" portion covered by property taxes, state revenue sharing, and other general revenues was \$2,348,531.

Business-type activities

Business-type activities increased the Township's net assets by \$4,372,279. The increase was primarily the result of developer capital contributions in the amount of \$5,370,000.

FINANCIAL ANALYSIS OF THE TOWNSHIP'S FUNDS

Governmental funds

As of the end of the current fiscal year, the Township's governmental funds reported combined ending fund balances of \$7,191,725, an increase of \$889,851 in comparison with the prior year. The increase occurred because the growth in revenues, primarily property taxes, outpaced the increase in expenditures. Of the total fund balances, \$6,898,305 (96 percent) constitutes unreserved fund balance, which is available for spending at the Board's discretion. The remainder of fund balance, in the amount of \$293,420, is reserved to indicate that it is not available for new spending because it is legally restricted for street lighting expenditures.

The General Fund is the chief operating fund of the Township. At the end of the fiscal year, unreserved fund balance was \$2,672,714, which represents 133 percent of the actual total General Fund expenditures for the current fiscal year. The fund balance increased by \$515,183 during the fiscal year primarily because interest rates rose adding significant dollars in interest revenue and state shared revenue was higher than projected.

The Fire Department Operation and Maintenance Fund has of fund balance of \$454,423, which represents an increase of \$51,461 in comparison with the prior year. The increase was created through an increase in property tax funding, an increase in interest rates, and a reduction in salary expenses.

Proprietary funds

The Sewer Fund experienced an operating loss of \$680,567, but an increase in net assets in the amount of \$2,830,604 due to noncash developer contributions totaling \$2,890,000. Net assets were \$40,060,239 at year end.

The Water Fund experienced an operating loss of \$501,582, but an increase in net assets of \$1,506,158 due to noncash developer contributions totaling \$2,480,000. Net assets were \$26,296,347 at year end.

During the current year the sewer and water funds transferred capital assets, with a carrying value of \$1,117,633, to the Byron-Gaines Utility Authority.

The Building Inspections Fund generated operating income of \$35,517. Net assets were \$481,549 at year end.

Township of Byron
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

General fund budgetary highlights

The Township amended the General Fund budget to increase total expenditures by \$5,000 to reflect the cost of unanticipated general administration expenditures.

Revenues, principally state grants and interest, were \$401,741 more than budgeted. General Fund expenditures were \$176,567 less than the amounts appropriated, which resulted in a \$578,308 positive budget variance, and a \$515,183 increase in fund balance compared to a budgeted \$63,125 decrease. The actual expenditures of two functional categories, culture and recreation and capital outlay, exceeded the amounts appropriated. The budget variances are explained as follows:

- Culture and recreation expenditures exceeded the budgeted amount due to unanticipated maintenance and utilities costs.
- Capital outlay costs included the unanticipated addition of sprinkling and fencing at Whistle Stop Park.

Capital assets and debt administration

Capital assets

The Township's investment in capital assets for its governmental and business-type activities as of March 31, 2006, amounts to \$67,435,835 (net of accumulated depreciation). This investment includes a broad range of assets, including buildings, fire equipment, and sewer and water facilities. The increase in the Township's net investment in capital assets for the current fiscal year was \$3,305,655.

Major capital asset events during the current fiscal year included the following:

- Continued expansion of the sewer and water systems totaling \$5,867,871
- Road improvements amounting to \$105,799
- Various equipment purchases totaling \$62,903
- Election equipment, valued at \$50,000, was contributed through a state grant
- Park improvements at Whistlestop Park totaling \$48,355

More detailed information about the Township's capital assets is presented in Note 5 of the notes to the basic financial statements.

Long-term debt

At the end of the fiscal year, the Township had total noncurrent liabilities outstanding in the amount of \$865,212, which represents a decrease of \$154,617. The Sewer Fund is solely responsible for repayment of these obligations.

During the year ended March 31, 2006, the Township decreased its long-term debt through principal payments on its 1992 sewer tax increment bonds that are financed by taxes captured through the Local Development Finance Authority. The retirements in 2006 amounted to \$125,000. The Sewer Fund also retired \$29,617 of its obligations related to contracts payable.

More detailed information about the Township's noncurrent liabilities is presented in Note 6 of the notes to the basic financial statements.

Economic condition and outlook

Byron Township's economic outlook is still strong into the next fiscal year. Property taxes will continue to rise due to construction of new residential, commercial, and industrial buildings. Interest rates continue to rise and will add to revenues. A portion of the fund balance will be used in fiscal year 2006-2007 for new projects including a Senior Center/Recreation Building, a skate park, and large road construction projects. Salaries increases were approved at 3%, on average.

Contacting the Township's financial management

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the Township's finances and to demonstrate the Township's accountability for the resources it receives. Questions regarding any information provided in this report or requests for additional financial information should be addressed to:

Joel Hondorp, Township Clerk
Township of Byron
8085 Byron Center Avenue, SE
Byron Center, MI 49315

Phone: (616) 878-9104

INDEPENDENT AUDITORS' REPORT

**Board of Trustees
Township of Byron, Michigan**

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Township of Byron, Michigan, as of March 31, 2006, and for the year then ended, which collectively comprise the Township's basic financial statements, as listed in the contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Township of Byron, Michigan, as of March 31, 2006, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with U.S. generally accepted accounting principles.

The management's discussion and analysis and budgetary comparison information, as listed in the contents, are not required parts of the basic financial statements but are supplementary information required by Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Board of Trustees
Township of Byron, Michigan
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Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Township of Byron, Michigan's basic financial statements. The accompanying supplementary information is presented for the purpose of additional analysis and is not a required part of the basic financial statements. The supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Sigfried Crandall A.C.

June 2, 2006

BASIC FINANCIAL STATEMENTS

Township of Byron
STATEMENT OF NET ASSETS
 March 31, 2006

	<u>Governmental activities</u>	<u>Business-type activities</u>	<u>Totals</u>
ASSETS			
Current assets:			
Cash	\$ 3,574,977	\$ 3,034,216	\$ 6,609,193
Cash - restricted	-	174,853	174,853
Investments	3,348,461	4,335,209	7,683,670
Receivables	380,196	1,001,477	1,381,673
Total current assets	<u>7,303,634</u>	<u>8,545,755</u>	<u>15,849,389</u>
Noncurrent assets:			
Receivables	-	202,000	202,000
Capital assets, net of accumulated depreciation	<u>8,221,821</u>	<u>59,214,014</u>	<u>67,435,835</u>
Total noncurrent assets	<u>8,221,821</u>	<u>59,416,014</u>	<u>67,637,835</u>
Total assets	<u>15,525,455</u>	<u>67,961,769</u>	<u>83,487,224</u>
LIABILITIES			
Current liabilities:			
Payables	90,759	258,422	349,181
Deferred revenue	21,150	-	21,150
Bonds and contracts payable	<u>-</u>	<u>154,617</u>	<u>154,617</u>
Total current liabilities	111,909	413,039	524,948
Noncurrent liabilities - bonds and contracts payable	<u>-</u>	<u>710,595</u>	<u>710,595</u>
Total liabilities	<u>111,909</u>	<u>1,123,634</u>	<u>1,235,543</u>
NET ASSETS			
Invested in capital assets, net of related debt	8,221,821	58,348,802	66,570,623
Restricted for:			
Public safety	1,352,117	481,549	1,833,666
Public works	293,420	-	293,420
Capital outlay	826,741	-	826,741
Debt service	-	174,853	174,853
Unrestricted	<u>4,719,447</u>	<u>7,832,931</u>	<u>12,552,378</u>
Total net assets	<u>\$ 15,413,546</u>	<u>\$ 66,838,135</u>	<u>\$ 82,251,681</u>

See notes to the financial statements

Township of Byron
STATEMENT OF ACTIVITIES
Year ended March 31, 2006

Functions/Programs	<u>Expenses</u>	<u>Program revenues</u>		
		<u>Charges for services</u>	<u>Operating grants and contributions</u>	<u>Capital grants and contributions</u>
Governmental activities:				
Legislative	\$ 19,377	\$ -	\$ -	\$ -
General government	1,184,991	136,256	-	50,000
Public safety	1,007,683	203,721	90,960	25,185
Public works	272,092	-	7,812	35,000
Community and economic development	89,345	25,462	-	-
Culture and recreation	414,490	65,051	-	-
Total governmental activities	<u>2,987,978</u>	<u>430,490</u>	<u>98,772</u>	<u>110,185</u>
Business-type activities:				
Sewer	2,092,152	1,382,525	-	3,559,433
Water	2,008,316	1,420,985	-	3,003,694
Building inspections	252,736	288,253	-	-
Total business-type activities	<u>4,353,204</u>	<u>3,091,763</u>	<u>-</u>	<u>6,563,127</u>
Totals	<u>\$ 7,341,182</u>	<u>\$ 3,522,253</u>	<u>\$ 98,772</u>	<u>\$ 6,673,312</u>

General revenues:

Property taxes
State shared revenue
Cable franchise fees
Unrestricted interest income
Other

Special item - transfer of capital assets to other unit

Total general revenues and special item

Change in net assets

Net assets - beginning

Net assets - ending

Net (expenses) revenues and changes in net assets

<u>Governmental activities</u>	<u>Business-type activities</u>	<u>Totals</u>
\$ (19,377)		\$ (19,377)
(998,735)		(998,735)
(687,817)		(687,817)
(229,280)		(229,280)
(63,883)		(63,883)
(349,439)		(349,439)
<u>(2,348,531)</u>		<u>(2,348,531)</u>
	\$ 2,849,806	2,849,806
	2,416,363	2,416,363
	<u>35,517</u>	<u>35,517</u>
	<u>5,301,686</u>	<u>5,301,686</u>
<u>(2,348,531)</u>	<u>5,301,686</u>	<u>2,953,155</u>
1,572,190	-	1,572,190
1,218,614	-	1,218,614
125,719	-	125,719
278,756	188,226	466,982
4,032	-	4,032
<u>-</u>	<u>(1,117,633)</u>	<u>(1,117,633)</u>
<u>3,199,311</u>	<u>(929,407)</u>	<u>2,269,904</u>
850,780	4,372,279	5,223,059
<u>14,562,766</u>	<u>62,465,856</u>	<u>77,028,622</u>
<u>\$ 15,413,546</u>	<u>\$ 66,838,135</u>	<u>\$ 82,251,681</u>

See notes to the financial statements

Township of Byron
BALANCE SHEET - governmental funds
 March 31, 2006

	<u>Major funds</u>			
	<u>General</u>	<u>Fire Department Operation and Maintenance</u>	<u>Nonmajor funds</u>	<u>Total governmental funds</u>
ASSETS				
Cash	\$ 1,715,246	\$ 440,922	\$ 1,418,809	\$ 3,574,977
Investments	1,029,188	-	2,319,273	3,348,461
Receivables	289,947	37,294	52,955	380,196
Due from other funds	1,848	13,666	4,842	20,356
Total assets	<u>\$ 3,036,229</u>	<u>\$ 491,882</u>	<u>\$ 3,795,879</u>	<u>\$ 7,323,990</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Payables	\$ 30,437	\$ 37,459	\$ 22,863	\$ 90,759
Due to other funds	18,508	-	1,848	20,356
Deferred revenue	21,150	-	-	21,150
Total liabilities	<u>70,095</u>	<u>37,459</u>	<u>24,711</u>	<u>132,265</u>
Fund balances:				
Reserved for street lighting	293,420	-	-	293,420
Unreserved	2,672,714	454,423	-	3,127,137
Unreserved, reported in nonmajor:				
Special revenue funds	-	-	3,771,168	3,771,168
Total fund balances	<u>2,966,134</u>	<u>454,423</u>	<u>3,771,168</u>	<u>7,191,725</u>
Total liabilities and fund balances	<u>\$ 3,036,229</u>	<u>\$ 491,882</u>	<u>\$ 3,795,879</u>	<u>\$ 7,323,990</u>
Total fund balances - all governmental funds				\$ 7,191,725
Amounts reported for <i>governmental activities</i> in the statement of net assets are different because:				
Capital assets used in <i>governmental activities</i> are not financial resources and, therefore, are not reported in the funds.				8,221,821
Net assets of <i>governmental activities</i> (page 5)				<u>\$ 15,413,546</u>

See notes to the financial statements

Township of Byron**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES - governmental funds**

Year ended March 31, 2006

	Major funds			
	General	Fire Department Operation and Maintenance	Nonmajor funds	Total governmental funds
REVENUES				
Property taxes	\$ 558,904	\$ 476,232	\$ 537,054	\$ 1,572,190
Licenses and permits	125,719	-	-	125,719
Federal grant	-	-	25,185	25,185
State grants	1,226,427	-	4,931	1,231,358
Intergovernmental	60,000	16,554	69,475	146,029
Charges for services	138,411	-	-	138,411
Fines and forfeitures	24,855	-	-	24,855
Interest and rentals	153,330	10,667	121,699	285,696
Other:				
Special assessment - street lighting	143,721	-	-	143,721
Miscellaneous	91,924	1,391	2,279	95,594
Total revenues	2,523,291	504,844	760,623	3,788,758
EXPENDITURES				
Legislative	19,377	-	-	19,377
General government	1,065,485	-	-	1,065,485
Public safety	-	453,383	363,960	817,343
Public works	396,475	-	-	396,475
Community and economic development	89,345	-	-	89,345
Culture and recreation	323,245	-	-	323,245
Capital outlay	114,181	-	73,456	187,637
Total expenditures	2,008,108	453,383	437,416	2,898,907
NET CHANGES IN FUND BALANCE	515,183	51,461	323,207	889,851
FUND BALANCES - BEGINNING	2,450,951	402,962	3,447,961	6,301,874
FUND BALANCES - ENDING	\$ 2,966,134	\$ 454,423	\$ 3,771,168	\$ 7,191,725

See notes to the financial statements

Township of Byron

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCES - governmental funds (Continued)**

Year ended March 31, 2006

Net change in fund balances - total governmental funds (page 8) \$ 889,851

Amounts reported for *governmental activities* in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.

Add - capital outlay	283,789
Deduct - depreciation expense	<u>(322,860)</u>

Change in net assets of *governmental activities* (page 6) \$ 850,780

See notes to the financial statements

Township of Byron
STATEMENT OF NET ASSETS - proprietary funds
March 31, 2006

	<u>Major funds</u>		<u>Building</u>	
	<u>Sewer</u>	<u>Water</u>	<u>Inspections</u>	<u>Totals</u>
ASSETS				
Current assets:				
Cash	\$ 1,170,183	\$ 1,382,484	\$ 481,549	\$ 3,034,216
Cash - restricted for debt service	-	174,853	-	174,853
Investments	2,513,291	1,821,918	-	4,335,209
Receivables	559,755	441,722	-	1,001,477
Total current assets	4,243,229	3,820,977	481,549	8,545,755
Noncurrent assets:				
Receivables	87,000	115,000	-	202,000
Capital assets, net of accumulated depreciation	36,010,422	23,203,592	-	59,214,014
Total noncurrent assets	36,097,422	23,318,592	-	59,416,014
Total assets	40,340,651	27,139,569	481,549	67,961,769
LIABILITIES				
Current liabilities:				
Payables	90,200	168,222	-	258,422
Contracts payable	29,617	-	-	29,617
Bonds payable	-	125,000	-	125,000
Total current liabilities	119,817	293,222	-	413,039
Noncurrent liabilities:				
Contracts payable	160,595	-	-	160,595
Bonds payable	-	550,000	-	550,000
Total noncurrent liabilities	160,595	550,000	-	710,595
Total liabilities	280,412	843,222	-	1,123,634
NET ASSETS				
Invested in capital assets, net of related debt	35,820,210	22,528,592	-	58,348,802
Restricted for:				
Public safety	-	-	481,549	481,549
Debt service	-	174,853	-	174,853
Unrestricted	4,240,029	3,592,902	-	7,832,931
Total net assets	\$ 40,060,239	\$ 26,296,347	\$ 481,549	\$ 66,838,135

See notes to the financial statements

Township of Byron

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN
NET ASSETS - proprietary funds**

Year ended March 31, 2006

	Major funds		Building	
	Sewer	Water	Inspections	Totals
OPERATING REVENUES				
Charges for services	\$ 1,382,525	\$ 1,420,985	\$ 288,253	\$ 3,091,763
OPERATING EXPENSES				
Personnel costs	49,058	49,058	197,271	295,387
Sewage treatment charges	886,831	-	-	886,831
Water charges	-	879,160	-	879,160
System operation and maintenance	135,130	311,430	-	446,560
Professional services	110,499	87,118	27,295	224,912
Miscellaneous	15,205	56,657	28,170	100,032
Depreciation	866,369	539,144	-	1,405,513
Total operating expenses	2,063,092	1,922,567	252,736	4,238,395
Operating income (loss)	(680,567)	(501,582)	35,517	(1,146,632)
NONOPERATING REVENUES (EXPENSES)				
Trunkage and availability fees	648,192	324,301	-	972,493
Interest revenue	97,989	90,237	-	188,226
Special assessment interest	21,241	22,893	-	44,134
Capital contributions to other units	(29,060)	(45,861)	-	(74,921)
Interest expense	-	(39,888)	-	(39,888)
Total nonoperating revenues	738,362	351,682	-	1,090,044
Income (loss) before capital contributions and special item	57,795	(149,900)	35,517	(56,588)
CAPITAL CONTRIBUTIONS				
Developers	2,890,000	2,480,000	-	5,370,000
Tax increment financing	-	176,500	-	176,500
Total capital contributions	2,890,000	2,656,500	-	5,546,500
SPECIAL ITEM				
Transfer of capital assets to other unit	(117,191)	(1,000,442)	-	(1,117,633)
CHANGES IN NET ASSETS	2,830,604	1,506,158	35,517	4,372,279
NET ASSETS - BEGINNING	37,229,635	24,790,189	446,032	62,465,856
NET ASSETS - ENDING	\$ 40,060,239	\$ 26,296,347	\$ 481,549	\$ 66,838,135

See notes to the financial statements

Township of Byron
STATEMENT OF CASH FLOWS - proprietary funds
Year ended March 31, 2006

	<u>Major funds</u>		<u>Building</u>	
	<u>Sewer</u>	<u>Water</u>	<u>Inspections</u>	<u>Totals</u>
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers	\$ 1,375,281	\$ 1,415,558	\$ 288,253	\$ 3,079,092
Payments to vendors and suppliers	(1,289,522)	(1,325,310)	(55,465)	(2,670,297)
Payments to employees	(49,058)	(49,058)	(197,271)	(295,387)
Net cash provided by operating activities	<u>36,701</u>	<u>41,190</u>	<u>35,517</u>	<u>113,408</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Collections of assessments receivable	88,800	115,654	-	204,454
Special assessment interest	21,241	22,893	-	44,134
Trunkage and availability fees	648,192	324,301	-	972,493
Capital contributions	-	176,500	-	176,500
Capital contributions paid to other governments	(29,060)	(45,861)	-	(74,921)
Acquisition of capital assets	(204,121)	(293,750)	-	(497,871)
Principal payments on capital debt	(29,617)	(125,000)	-	(154,617)
Interest payments on capital debt	-	(43,888)	-	(43,888)
Net cash provided by capital and related financing activities	<u>495,435</u>	<u>130,849</u>	<u>-</u>	<u>626,284</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Net change in investments	(231,114)	189,783	-	(41,331)
Interest received	<u>97,989</u>	<u>90,237</u>	<u>-</u>	<u>188,226</u>
Net cash provided by (used in) investing activities	<u>(133,125)</u>	<u>280,020</u>	<u>-</u>	<u>146,895</u>
NET INCREASE IN CASH	<u>399,011</u>	<u>452,059</u>	<u>35,517</u>	<u>886,587</u>
CASH - BEGINNING	<u>771,172</u>	<u>1,105,278</u>	<u>446,032</u>	<u>2,322,482</u>
(including \$173,738 in restricted accounts reported in the Water Fund)				
CASH - ENDING	<u>\$ 1,170,183</u>	<u>\$ 1,557,337</u>	<u>\$ 481,549</u>	<u>\$ 3,209,069</u>
(including \$174,853 in restricted accounts reported in the Water Fund)				

See notes to the financial statements

Township of Byron**STATEMENT OF CASH FLOWS - proprietary funds (Continued)**

Year ended March 31, 2006

	<u>Major funds</u>		<u>Building Inspections</u>	<u>Totals</u>
	<u>Sewer</u>	<u>Water</u>		
Noncash capital and related financing activities:				
Acquisition of capital assets	\$ (3,094,121)	\$ (2,773,750)	\$ -	\$ (5,867,871)
Less capital assets contributed by developers	<u>2,890,000</u>	<u>2,480,000</u>	<u>-</u>	<u>5,370,000</u>
Net cash used	<u>\$ (204,121)</u>	<u>\$ (293,750)</u>	<u>\$ -</u>	<u>\$ (497,871)</u>
Reconciliation of operating income (loss) to net cash provided by operating activities:				
Operating income (loss)	\$ (680,567)	\$ (501,582)	\$ 35,517	\$ (1,146,632)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation	866,369	539,144	-	1,405,513
(Increase) decrease in receivables	(93,459)	(5,427)	-	(98,886)
Increase (decrease) in payables	<u>(55,642)</u>	<u>9,055</u>	<u>-</u>	<u>(46,587)</u>
Net cash provided by operating activities	<u>\$ 36,701</u>	<u>\$ 41,190</u>	<u>\$ 35,517</u>	<u>\$ 113,408</u>

See notes to the financial statements

Township of Byron

STATEMENT OF FIDUCIARY NET ASSETS - *Agency Fund*

March 31, 2006

ASSETS

Cash	<u>\$ 86,986</u>
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LIABILITIES

Payables	<u>\$ 86,986</u>
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See notes to the financial statements

Township of Byron
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The accounting policies of the Township of Byron, Michigan (the Township), conform to U.S. generally accepted accounting principles (hereinafter referred to as generally accepted accounting principles) as applicable to governments. The following is a summary of the more significant policies.

a) Reporting entity:

In accordance with generally accepted accounting principles and Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*, these financial statements present the Township and its component unit, an entity for which the Township is considered financially accountable.

Blended component unit:

The Township of Byron Local Development Finance Authority (the Authority) is governed by a separate board appointed by the Township Board. Although it is legally separate, the Authority is reported as if it were part of the primary government because its sole purpose is to finance and construct water system facilities within the Township.

b) Government-wide and fund financial statements:

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the Township. The effect of inter-fund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

c) Measurement focus, basis of accounting, and financial statement presentation:

The government-wide financial statements are reported using the economic resources, measurement focus, and the accrual basis of accounting, as are the proprietary and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

Township of Byron
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

c) Measurement focus, basis of accounting, and financial statement presentation (continued):

Governmental fund financial statements are reported using the current financial resources, measurement focus, and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available if they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Township generally considers revenues to be available if they are expected to be collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

State grants, licenses and permits, charges for services, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable only when cash is received by the government.

The Township reports the following major governmental funds:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the Township, except those required to be accounted for in another fund. Revenues are primarily derived from state shared revenue and property taxes.

The Fire Department Operation and Maintenance Fund accounts for all the financial resources used by the Township to provide fire protection services. Revenues are primarily derived from property taxes.

The Township reports the following major proprietary funds:

The Sewer Fund accounts for the activities of the Township's sewage collection systems.

The Water Fund accounts for the activities of the Township's water distribution system.

Private-sector standards of accounting issued prior to March 1, 1989, are generally followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board (GASB). Governments also have the option of following subsequent private sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The Township has elected not to follow subsequent private-sector standards.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the proprietary funds relate to charges to customers for sales and services. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Township of Byron
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

c) Measurement focus, basis of accounting, and financial statement presentation (continued):

Amounts reported as program revenues include: (1) charges to customers or applicants for goods, services, or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

The Township reports two fiduciary funds, the Agency Fund and the Escrow Fund, which account for assets held by the Township as an agent for individuals, private organizations, other governments, and/or other funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

d) Assets, liabilities, and net assets or equity:

i) Bank deposits - Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

ii) Receivables - In general, outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances." No allowance for uncollectible accounts has been recorded as the Township considers all receivables to be fully collectible.

iii) Prepaid items - Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in the government-wide financial statements.

iv) Capital assets - Capital assets, which include property, equipment, and infrastructure assets (e.g., sewer and water systems and sidewalks), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets, other than infrastructure, are defined by the government as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Governments can elect to account for infrastructure assets either retroactively to June 15, 1980, or prospectively. The Township has elected to account for infrastructure assets prospectively, beginning April 1, 2004.

Capital assets are depreciated using the straight-line method over the following useful lives:

Buildings and improvements	25 - 100 years
Equipment	5 - 10 years
Vehicles	10 - 20 years
Sewer and water systems	50 years

Township of Byron
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

d) Assets, liabilities, and net assets or equity (continued):

v) Fund equity - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

vi) Property tax revenue recognition - Property taxes are levied as of December 1 on property values assessed as of December 31 of the prior year. The billings are due on or before February 14, after which time the bill becomes delinquent and penalties and interest may be assessed by the Township. Property tax revenue is recognized in the year for which taxes have been levied and become available. The Township levy date is December 1, and, accordingly, the total levy is recognized as revenue in the current year.

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY:

Budgetary information:

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. The budget document presents information by fund, function, and department. The legal level of budgetary control adopted by the governing body is the function level. All annual appropriations lapse at the end of the fiscal year.

Excess of expenditures over appropriations:

The following schedule sets forth significant budget variances:

<u>Fund</u>	<u>Function</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
General	Culture and recreation	\$ 295,725	\$ 323,245	\$ 27,520
	Capital outlay	106,000	114,181	8,181

NOTE 3 - CASH AND INVESTMENTS:

The Township's cash and investments are as follows:

	<u>Governmental activities</u>	<u>Business-type activities</u>	<u>Fiduciary</u>	<u>Totals</u>
Cash on hand	\$ 100	\$ -	\$ -	\$ 100
Cash	3,574,877	3,034,216	86,986	6,696,079
Cash - restricted	-	174,853	-	174,853
Investments	3,348,461	4,335,209	-	7,683,670
Total	<u>\$ 6,923,438</u>	<u>\$ 7,544,278</u>	<u>\$ 86,986</u>	<u>\$ 14,554,702</u>

Township of Byron
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 3 - CASH AND INVESTMENTS (Continued):

Deposits with financial institutions:

Deposits are carried at cost and are maintained at various financial institutions in the name of the Township. State statutes and the Township's investment policy authorize the Township to make deposits in the accounts of federally-insured banks, credit unions, and savings and loan associations. The Township's deposits are in accordance with statutory authority.

Custodial credit risk is the risk that, in the event of the failure of a depository financial institution, the Township will not be able to recover its deposits. Deposits are exposed to custodial credit risk if they are not covered by depository insurance. At March 31, 2006, \$6,609,669 of the Township's bank balances of \$7,009,669 was exposed to custodial credit risk because it was uninsured. The Township believes that it is impractical to insure all bank deposits due to the amounts of the deposits and the limits of FDIC insurance. As a result, the Township evaluates each financial institution with which it deposits funds and assesses the risk level of each institution. Only the institutions with an acceptable estimated risk level are used as depositories.

Investments:

State statutes authorize the Township to invest in a) obligations of the U.S. Treasury, agencies, and instrumentalities; b) commercial paper, with three (3) highest rate classifications by at least two (2) rating services, maturing not later than 270 days; c) repurchase agreements, collateralized by U.S. governmental securities; d) bankers' acceptances; e) mutual funds; and f) investment pools organized under the local government investment pool act. Not more than 50% of any mutual fund may be invested in commercial paper. The Township's investments consist of holdings in the Kent County Investment Pool, which are nonrisk-categorized qualifying investments, and are carried at cost, which approximates fair market value.

NOTE 4 - RECEIVABLES:

Receivables as of year end for the Township's funds are as follows:

<i>Fund</i>	<i>Accounts</i>	<i>Property taxes</i>	<i>Interest</i>	<i>Inter- governmental</i>	<i>Special assessments</i>	<i>Totals</i>
Governmental activities:						
General	\$ 27,151	\$ 14,552	\$ 26,060	\$ 222,184	\$ -	\$ 289,947
Fire Operation and Maintenance	-	11,442	-	25,852	-	37,294
Nonmajor governmental funds	-	12,891	22,316	17,748	-	52,955
Total governmental activities	<u>\$ 27,151</u>	<u>\$ 38,885</u>	<u>\$ 48,376</u>	<u>\$ 265,784</u>	<u>\$ -</u>	<u>\$ 380,196</u>
Business-type activities:						
Sewer	\$ 282,814	\$ -	\$ -	\$ -	\$ 363,941	\$ 646,755
Water	185,933	-	-	-	370,789	556,722
Total business-type activities	<u>\$ 468,747</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 734,730</u>	<u>\$ 1,203,477</u>
Noncurrent portion	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 202,000</u>	<u>\$ 202,000</u>

Township of Byron
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 5 - CAPITAL ASSETS:

Capital asset activity for the year ended March 31, 2006, was as follows:

	<i>Beginning balance</i>	<i>Increases</i>	<i>Decreases</i>	<i>Ending balance</i>
Governmental activities:				
Capital assets not being depreciated - land	\$ 463,176	\$ -	\$ -	\$ 463,176
Capital assets being depreciated:				
Land improvements	2,864,313	48,387	-	2,912,700
Buildings	4,539,677	16,700	-	4,556,377
Equipment and vehicles	2,626,322	112,903	17,318	2,721,907
Shared road costs	-	105,799	-	105,799
Subtotal	10,030,312	283,789	17,318	10,296,783
Less accumulated depreciation:				
Land improvements	245,324	76,262	-	321,586
Buildings	879,213	85,158	-	964,371
Equipment and vehicles	1,108,059	153,625	10,679	1,251,005
Shared road costs	-	1,176	-	1,176
Subtotal	2,232,596	316,221	10,679	2,538,138
Total capital assets being depreciated, net	7,797,716	(32,432)	6,639	7,758,645
Governmental activities capital assets, net	\$ 8,260,892	\$ (32,432)	\$ 6,639	\$ 8,221,821
Business-type activities:				
Capital assets not being depreciated - land	\$ 103,000	\$ -	\$ 103,000	\$ -
Capital assets being depreciated:				
Sewer system	\$ 42,318,932	\$ 3,094,121	\$ 95,600	\$ 45,317,453
Water system	26,528,942	2,773,750	1,183,900	28,118,792
Subtotal	68,847,874	5,867,871	1,279,500	73,436,245
Less accumulated depreciation:				
Sewer system	8,470,571	866,369	29,909	9,307,031
Water system	4,611,014	539,144	234,958	4,915,200
Subtotal	13,081,585	1,405,513	264,867	14,222,231
Total capital assets being depreciated, net	55,766,289	4,462,358	1,014,633	59,214,014
Business-type activities capital assets, net	\$ 55,869,289	\$ 4,462,358	\$ 1,117,633	\$ 59,214,014

Township of Byron
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 5 - CAPITAL ASSETS (Continued):

Depreciation expense was charged to functions of the Township as follows:

Governmental activities:	
General government	\$ 89,428
Public safety	155,994
Public works	1,176
Culture and recreation	<u>76,262</u>
Total governmental activities	<u>\$ 322,860</u>

NOTE 6 - NONCURRENT LIABILITIES:

At March 31, 2006, noncurrent liabilities are comprised of the following individual issues:

Business-type activities:

Bonds:

\$1,385,000 1992 Local Development Finance Authority tax increment bonds due in annual installments ranging from \$50,000 to \$200,000, plus interest at 5.5% to 6.0%; final payment due May 2011	\$675,000
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Contracts:

\$171,070 2003 Sewer contract payable to JCB Development due in annual installments of \$17,107; final payment due September 2011	102,642
\$125,101 2003 Sewer contract payable to Byron Center Schools due in annual installments of \$12,510; final payment due September 2012	<u>87,570</u>

Total business-type activities noncurrent liabilities	<u>\$865,212</u>
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Noncurrent liability activity for the year ended March 31, 2006, was as follows:

	<u>Beginning balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending balance</u>
Business-type activities:				
1992 Sewer tax increment bonds	\$ 800,000	\$ -	\$ 125,000	\$ 675,000
2003 Sewer contract payable	119,749	-	17,107	102,642
2003 Sewer contract payable	<u>100,080</u>	<u>-</u>	<u>12,510</u>	<u>87,570</u>
Total noncurrent obligations	<u>\$ 1,019,829</u>	<u>\$ -</u>	<u>\$ 154,617</u>	<u>\$ 865,212</u>

Township of Byron
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 6 - NONCURRENT LIABILITIES (Continued):

At March 31, 2006, debt service requirements were as follows:

<i>Year ended</i> <i>March 31:</i>	<i>Business-type activities</i>	
	<i>Principal</i>	<i>Interest</i>
2007	\$ 104,617	\$ 50,075
2008	129,617	44,950
2009	129,617	39,000
2010	229,617	30,000
2011	229,617	30,000
2012 - 2013	<u>42,127</u>	<u>-</u>
Totals	<u>\$ 865,212</u>	<u>\$ 194,025</u>

All debt is secured by the full faith and credit of the Township.

NOTE 7 - PAYABLES:

Payables as of year end for the Township's funds are as follows:

	<i>Accounts</i>	<i>Payroll</i>	<i>Inter- governmental</i>	<i>Interest</i>	<i>Totals</i>
Governmental activities:					
General	\$ 30,437	\$ -	\$ -	\$ -	\$ 30,437
Fire operation and maintenance	3,135	14,324	20,000		37,459
Nonmajor governmental funds	<u>22,863</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>22,863</u>
Totals	<u>\$ 56,435</u>	<u>\$ 14,324</u>	<u>\$ 20,000</u>	<u>\$ -</u>	<u>\$ 90,759</u>
Business-type activities:					
Proprietary funds:					
Sewer	\$ 90,200	\$ -	\$ -	-	\$ 90,200
Water	<u>151,222</u>	<u>-</u>	<u>-</u>	<u>17,000</u>	<u>168,222</u>
Totals	<u>\$ 241,422</u>	<u>\$ -</u>	<u>\$ -</u>	<u>17,000</u>	<u>\$ 258,422</u>

Township of Byron
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 8 - INTERFUND RECEIVABLES AND PAYABLES:

At March 31, 2006, the composition of interfund balances is as follows:

<u>Fund</u>	<u>Receivable</u>	<u>Fund</u>	<u>Payable</u>
General	\$ 1,848	Nonmajor governmental funds	\$ 1,848
Nonmajor governmental funds	<u>18,508</u>	General	<u>18,508</u>
Totals	<u>\$ 20,356</u>	Totals	<u>\$ 20,356</u>

The interfund balances represent temporary cash flow assistance. All amounts are to be repaid in the subsequent year.

NOTE 9 - RISK MANAGEMENT:

The Township is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation). The Township has purchased commercial insurance for each of these claims and is neither self insured nor participates in a shared-risk pool. Settled claims relating to commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

NOTE 10 - DEFINED CONTRIBUTION PENSION PLAN:

The Township provides pension benefits for substantially all of its full-time employees through a defined contribution plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan, plus investment earnings. Employees are eligible to participate from the date of employment. The Township contributes 10.5% of each qualified employee's base salary to the plan. The Township's contributions are fully vested immediately. The Township is not a trustee of the plan, nor is the Township responsible for investment management of plan assets.

The Township made the required contributions of \$45,402 for the year ended March 31, 2006.

NOTE 11 - JOINT VENTURE:

Byron-Gaines Utility Authority:

The Township is a member of the Byron-Gaines Utility Authority (the Authority), which is a joint venture of the Townships of Byron and Gaines. The administrative board of the Authority consists of members appointed by each participating unit. The Authority was formed to jointly provide water and sewer services within the combined service area, which encompasses the participating municipalities. During the year ended March 31, 2006, the Township contributed \$512,996 as its proportionate share of the Authority's capital costs and other administrative expenses.

Township of Byron
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 12 - CONTINGENCIES:

The Township is contingently liable for paybacks of availability and trunkage fees to various developers. In accordance with the development agreements, the Township must make paybacks when additional customers connect to the utility systems. At March 31, 2006, the Township is contingently liable for payments to developers in the amounts of \$216,611 and \$566,978 in the Sewer Fund and Water Fund, respectively. These agreements terminate on various dates between 2007 and 2012.

NOTE 13 - SPECIAL ITEM:

During the year ended March 31, 2006, the Township transferred capital assets from the sewer and water funds to the Byron-Gaines Utility Authority that resulted in a loss of \$1,117,633. The loss is presented in the accompanying financial statements as a special item because it is a significant transaction within the control of the Township's management that is unusual in nature.

REQUIRED SUPPLEMENTARY INFORMATION

Township of Byron**BUDGETARY COMPARISON SCHEDULE - General Fund**

Year ended March 31, 2006

	<u>Original budget</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
REVENUES				
Property taxes	\$ 545,500	\$ 545,500	\$ 558,904	\$ 13,404
Licenses and permits	106,600	106,600	125,719	19,119
State grants	1,100,000	1,100,000	1,226,427	126,427
Intergovernmental	65,000	65,000	60,000	(5,000)
Charges for services	110,300	110,300	138,411	28,111
Fines and forfeitures	-	-	24,855	24,855
Interest and rentals	42,000	42,000	153,330	111,330
Other:				
Street lighting assessment	120,000	120,000	143,721	23,721
Miscellaneous	32,150	32,150	91,924	59,774
Total revenues	<u>2,121,550</u>	<u>2,121,550</u>	<u>2,523,291</u>	<u>401,741</u>
EXPENDITURES				
Legislative	<u>20,800</u>	<u>20,800</u>	<u>19,377</u>	<u>1,423</u>
General government:				
Supervisor	58,600	58,600	57,787	813
Elections	18,600	18,600	9,525	9,075
Assessor	83,650	83,650	81,963	1,687
Professional fees	109,000	109,000	178,911	(69,911)
Clerk	82,100	82,100	78,657	3,443
Treasurer	79,200	79,200	79,015	185
Building and grounds	108,800	108,800	109,148	(348)
Cemeteries	32,500	32,500	36,047	(3,547)
General administration	<u>516,300</u>	<u>521,300</u>	<u>434,432</u>	<u>86,868</u>
Total general government	<u>1,088,750</u>	<u>1,093,750</u>	<u>1,065,485</u>	<u>28,265</u>
Public works:				
Drain maintenance	65,000	65,000	71,200	(6,200)
Hydrant rental	10,000	10,000	10,520	(520)
Road construction and maintenance	300,500	300,500	183,568	116,932
Street lighting	120,000	120,000	108,513	11,487
Sidewalks and trails	<u>50,000</u>	<u>50,000</u>	<u>22,674</u>	<u>27,326</u>
Total public works	<u>545,500</u>	<u>545,500</u>	<u>396,475</u>	<u>149,025</u>

Township of Byron**BUDGETARY COMPARISON SCHEDULE - General Fund (Continued)**

Year ended March 31, 2006

	<u>Original budget</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
EXPENDITURES (Continued)				
Community and economic development - planning and zoning	<u>\$ 122,900</u>	<u>\$ 122,900</u>	<u>\$ 89,345</u>	<u>\$ 33,555</u>
Culture and recreation:				
Parks	113,925	113,925	127,181	(13,256)
Recreation	144,700	144,700	156,290	(11,590)
Library	<u>37,100</u>	<u>37,100</u>	<u>39,774</u>	<u>(2,674)</u>
Total culture and recreation	<u>295,725</u>	<u>295,725</u>	<u>323,245</u>	<u>(27,520)</u>
Capital outlay	<u>106,000</u>	<u>106,000</u>	<u>114,181</u>	<u>(8,181)</u>
Total expenditures	<u>2,179,675</u>	<u>2,184,675</u>	<u>2,008,108</u>	<u>176,567</u>
NET CHANGES IN FUND BALANCES	(58,125)	(63,125)	515,183	578,308
FUND BALANCES - BEGINNING	<u>2,450,951</u>	<u>2,450,951</u>	<u>2,450,951</u>	<u>-</u>
FUND BALANCES - ENDING	<u>\$ 2,392,826</u>	<u>\$ 2,387,826</u>	<u>\$ 2,966,134</u>	<u>\$ 578,308</u>

Township of Byron**BUDGETARY COMPARISON SCHEDULE - Fire Department Operation and Maintenance Fund**

Year ended March 31, 2006

	<u>Original budget</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
REVENUES				
Property taxes	\$ 450,000	\$ 450,000	\$ 476,232	\$ 26,232
Intergovernmental	30,000	30,000	16,554	(13,446)
Interest	5,000	5,000	10,667	5,667
Other	-	-	1,391	1,391
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total revenues	485,000	485,000	504,844	19,844
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
EXPENDITURES				
Public safety:				
Byron Fire Department	212,000	252,000	199,266	52,734
Cutlerville Fire Department	282,600	282,600	254,117	28,483
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total expenditures	494,600	534,600	453,383	81,217
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
NET CHANGES IN FUND BALANCES	(9,600)	(49,600)	51,461	101,061
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
FUND BALANCES - BEGINNING	402,962	402,962	402,962	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
FUND BALANCES - ENDING	\$ 393,362	\$ 353,362	\$ 454,423	\$ 101,061
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

SUPPLEMENTARY INFORMATION

Township of Byron
COMBINING BALANCE SHEET - nonmajor governmental funds
 March 31, 2006

	<u>Special revenue funds</u>				<u>Total other govern- mental funds</u>
	<u>Fire Department Capital Outlay</u>	<u>Law Enforcement</u>	<u>Public Improvement</u>	<u>Improvement Revolving</u>	
ASSETS					
Cash	\$ 789,821	\$ 628,988	\$ -	\$ -	\$ 1,418,809
Investments	-	272,540	514,649	1,532,084	2,319,273
Receivables	32,078	20,877	-	-	52,955
Due from other funds	<u>4,842</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,842</u>
Total assets	<u>\$ 826,741</u>	<u>\$ 922,405</u>	<u>\$ 514,649</u>	<u>\$ 1,532,084</u>	<u>\$ 3,795,879</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Payables	\$ -	\$ 22,863	\$ -	\$ -	\$ 22,863
Due to other funds	<u>-</u>	<u>1,848</u>	<u>-</u>	<u>-</u>	<u>1,848</u>
Total liabilities	-	24,711	-	-	24,711
Fund balances - unreserved, undesignated	<u>826,741</u>	<u>897,694</u>	<u>514,649</u>	<u>1,532,084</u>	<u>3,771,168</u>
Total liabilities and fund balances	<u>\$ 826,741</u>	<u>\$ 922,405</u>	<u>\$ 514,649</u>	<u>\$ 1,532,084</u>	<u>\$ 3,795,879</u>

Township of Byron

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN

FUND BALANCES - nonmajor governmental funds

Year ended March 31, 2006

	Special revenue funds				Total other govern- mental funds
	Fire Department Capital Outlay	Law Enforcement	Public Improvement	Improvement Revolving	
REVENUES					
Property taxes	\$ 134,390	\$ 402,664	\$ -	\$ -	\$ 537,054
Federal grant	25,185	-	-	-	25,185
State grant	-	4,931	-	-	4,931
Intergovernmental	21,728	47,747	-	-	69,475
Interest	30,460	24,480	16,786	49,973	121,699
Other	2,171	108	-	-	2,279
Total revenues	213,934	479,930	16,786	49,973	760,623
EXPENDITURES					
Public safety - law enforcement:					
Police protection	-	344,970	-	-	344,970
Crossing guard	-	18,990	-	-	18,990
Capital outlay	73,456	-	-	-	73,456
Total expenditures	73,456	363,960	-	-	437,416
NET CHANGES IN FUND BALANCES	140,478	115,970	16,786	49,973	323,207
FUND BALANCES - BEGINNING	686,263	781,724	497,863	1,482,111	3,447,961
FUND BALANCES - ENDING	\$ 826,741	\$ 897,694	\$ 514,649	\$ 1,532,084	\$ 3,771,168